

Breakdown of Proposed Property Tax Rate Increase

Total Recommended Increase – 7.5 cents per 100 dollars of valuation

Breakdown of the pennies:

1.0 cent – Replace sales tax revenue lost to the City of Sanford. In the FY 2013-14 budget, the Commissioners changed the method of sales tax distribution from Per Capita to Ad Valorem. This change resulted in a \$1.4 million dollar pick up in revenue for the County (while the City of Sanford and Town of Broadway lost the same amount combined). The property tax equivalent of this amount was 3.0 cents. Ad Valorem distribution is based on the tax levy for each entity. As the levy for each entity changes, the sales tax distribution is affected in the following fiscal year. With the County's reduction of levy and the City of Sanford's increase in levy due to a 9.0 cents tax rate increase over the last two fiscal years, next year's sales tax revenues will be reduced by \$460,000 or almost one penny. Keeping in line with the reason for the tax rate decrease staff recommended that we recover the lost penny by raising the tax rate an equivalent amount.

2.0 cents – The number one priority for most of the Commissioners in the upcoming budget was support for the establishment of the capital/debt service reserve for the Community College Bonds that were approved by the voters of Lee County. The tax equivalent approved in the Bond Orders was 3.0 cents. In consultation with our Financial Advisors, Davenport & Associates, a financial plan was developed that would allow a lower increase in the tax rate to cover the bonds. The plan was to create this reserve now and not wait until the bonds are sold to increase the rate. If the County waits, the full 3.0 cents will be needed to repay this bonded debt assuming interest rates and construction costs don't increase above estimates.

2.0 cents – LCSS – Board of Education school current expense. For the last 5 years the Board of Education has asked for the Commissioners assistance in addressing 2 critical areas. First is teacher retention. The BOE of education asked for an increase in the teacher supplement from 7 to 10 percent. The BOE is losing teachers to Chatham, Orange, Durham and Wake counties due to better supplements in those counties. The Board of Education wants to be able to compete and retain their teachers. Keeping experienced teachers is their number one priority in their request. Second, the BOE wants to address developmental education issues by instituting a new intervention program to help identify those students who are not developing in reading, writing and math. Giving these students the extra help they need will help them progress at a faster rate. The 2.0 cent increase is roughly a third of the requested increase by the Board of Education

1.0 cents – The County has lost \$1.3 million annually in school capital funding from the State of North Carolina since the FY 2009-10 budget. These funds were used as part of the annual capital contribution to the Board of Education. This 1.0 cent increase represents one third of the funds lost to the State and one third of the increase requested by the Board of Education. The County's primary responsibility in school funding is to maintain and build school facilities.

1.5 cents – During the recession the County used very large sums of fund balance to balance the budget each year. This increase will be used to reduce the annual dependency on fund balance to cover operational expenses. The increase will also allow the County to build a reserve to address the needs of our aging facilities.